



FHA INFO #21-82

September 30, 2021

FHA's Financial Requirements for Mortgagee Eligibility Update to Unacceptable Assets

Today, the Federal Housing Administration (FHA) published [Mortgagee Letter \(ML\) 2021-25, Federal Housing Administration's Financial Requirements for Mortgagee Eligibility - Update to Unacceptable Assets](#). This ML addresses the June 25, 2021 changes to Chapter 7 of the Office of the Inspector General (OIG) [General Audit Guidance \(OIG Audit Guide\) Handbook 2000.04](#). These changes impact FHA-approved mortgagees and entities applying for FHA approval.

The OIG Audit Guide, Chapter 7 - FHA-Approved Lenders Audit Guidance, has been changed to include an updated, expanded list of unacceptable assets that mortgagees cannot include in their computation of adjusted net worth. Under the Single Family Housing Policy Handbook 4000.1, FHA requires that mortgagees compute their adjusted net worth in accordance with the OIG Audit Guide.

The OIG Audit Guide's changes to Chapter 7:

- Impact mortgagees' continued adjusted net worth obligation and annual recertification financial data submission:
 - Are effective immediately for entities applying for FHA approval and require all FHA-approved mortgagees to be in compliance by December 31, 2021.
 - Specify that the revised guidance applies to all mortgagees approved for FHA Title I and/or Title II programs and to entities applying for FHA approval.
- Update OIG Audit Guide Chapter 7, 7-5, F.1.j - I changes:
 - Ensure that a schedule of "other assets" prepared by a mortgagee is attested to by an Independent Auditor per Generally Accepted Auditing Standards (GAAS) guidelines;
 - Exclude real property, including all land and any buildings attached to it, other than the home office registered with HUD from the computation of adjusted net worth; and
 - Exclude assets designated to offset future expenses, such as prepaid expenses and deferred tax, from the computation of adjusted net worth.

The guidance in today's [ML 2021-25](#) is effective immediately for entities applying for FHA approval. All current FHA-approved mortgagees must be in compliance by December 31, 2021.

Need Support? Contact the FHA Resource Center.

- Visit our knowledge base to obtain answers to frequently asked questions 24/7 at www.hud.gov/answers.
- E-mail answers@hud.gov. Emails and phone messages will be responded to during normal hours of operation, 8:00 AM to 8:00 PM (Eastern), Monday through Friday on all non-Federal holidays.
- Call 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.

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